

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM
1 N. Capitol, Indianapolis, IN 46204
1st Floor Conference Room and Virtual Webcast
[Pursuant to Executive Order 20-09 and extensions]**

October 29, 2021

Board Members Present

Michael Pinkham

Brian Abbott

Connie Plankenhorn

Justin McAdam

David Frick

Tera Klutz

Vivienne Ross

Bret Swanson

Kelly Mitchell (virtual)

Guest Presenters

Jeff MacLean, Verus

Sandy Halim, CEM Benchmarking

Kam Mangat, CEM Benchmarking

Brent Banister, Cavanaugh Macdonald

Ed Koebel, Cavanaugh Macdonald

Staff Presenters

Steve Russo, Executive Director

Scott Davis, Chief Investment Officer

Robert Corne, Chief Financial Officer

Jeff Gill, Chief Legal & Compliance

Officer

Jeff Hutson, Chief Communications
Officer

Andy Blough, Chief Actuary

John Lambertus, Senior Stakeholder
Research Analyst

Meeting called to order at 10:03 a.m. by Chairman Swanson.

In accordance with normal practice, Board members were provided electronically written materials in advance of the meeting. Furthermore, all votes were taken in a roll call.

I. Approval of Minutes from September 10, 2021 Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the September 10, 2021, Board meeting.

*Proposed by: Mike Pinkham
Seconded by: Brian Abbot
Votes: 9 in favor, 0 opposed, 0 abstentions*

II. Unfinished Business

There was no unfinished business discussed by the Board.

III. Required Business

A. Proposed Board Governance Manual Updates.

Jeff Gill presented proposed updates to the Governance Manual. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the September 10, 2021 meeting.

MOTION duly made and carried to approve the changes to the Board Governance Manual.

Proposed by: Brian Abbot
Seconded by: Mike Pinkham
Votes: 9 in favor, 0 opposed, 0 abstentions

B. Defined Contribution Fee Review & CY22 Fee

Robert Corne presented the Defined Contribution (DC) Fee review. Mr. Corne provided a DC fee benchmark. The current DC fee of \$45.00 per year is adequate and does not need to be changed. Mr. Corne also discussed the increasing rate of forfeitures for PERF My Choice.

MOTION duly made and carried to approve staff recommended to leave the Defined Contribution Administrative Fee at \$45.00 per year.

Proposed by: Justin McAdam
Seconded by: Brian Abbott
Votes: 9 in favor, 0 opposed, 0 abstentions

C. Actuarial Valuation & Contribution Rates

Brent Banister from Cavanaugh Macdonald provided an overview of actuarial valuation results for PERF, TRF, the 1977 Fund, JRS, EG&C, PARF, and LE DB funds as of July 1, 2021. Mr. Banister noted an investment return of 23%, new economic assumptions, extra one-time funding for TRF Pre '96 plan, and approved COLA for PERF, TRF, EG&C, and Legislators to be paid from the supplemental retirement accounts. Mr. Banister also discussed the summary of legislation passed in the 2021 Indiana General Assembly. Mr. Banister also talked about current and projected funded status, and the current and projected calculation of the actuarial required contribution rate.

Ed Koebel from Cavanaugh talked about the economic assumptions. Mr. Koebel highlighted the liability and estimated dates when each fund will be fully funded. Mr. Koebel also discussed employer contribution changes.

Andy Blough discussed the INPRS funded status as of June 30, 2021 comparison to June 30, 2020, and funded status June 30, 2021 comparison to June 30, 2026 projection. Mr. Blough also summarized the recommendations for contribution rates, lottery revenue allocations to the supplemental reserve accounts, and reviewed the appropriations from the General Assembly during the next biennium (FY2022 and FY2023).

INPRS Staff Recommended Total Employer DB Contribution Rates for Fiscal Year 2023	
PERF (State)	11.2%
TRF 1996 Defined Benefit Account	6%

INPRS Staff Recommended Total DB Contribution Rates for Calendar Year 2023	
PERF (PSD Composite Rate)	11.2%
'77 Fund	18.3%
EG&C Plan	20.75%
LE DC Plan	14.2%

INPRS Staff Recommended Supplemental Reserve Account (SRA) Surcharge Rates for Calendar Year 2022	
PERF	0.62%**
TRF Pre-'96	N/A
TRF '96	0.21%
EG&C	0.94%
LE DB	N/A

**A 0.72% surcharge would be needed to fund two 13th checks according to their recent structure in PERF during the FY 24-25 biennium.

INPRS Staff Recommended Supplemental Reserve Account (SRA) Lottery Revenue Allocation	
TRF Pre-'96	30,000,000.00

General Assembly Appropriation Requests for Fiscal Years 2022 and 2023 And associated ADCs (rounded to nearest thousand)				
	FY 2022	FY 2022	FY 2023	FY 2023
	Appropriation	ADC	Appropriation	ADC
TRF Pre-'96	975,000,000	975,000,000	1,005,000,000	1,005,000,000
JRS (includes court and docket fees)	17,564,000	17,564,000	18,047,000	20,451,000
PARF	4,044,000	4,044,000	4,155,000	4,276,000
LE DB	183,000	183,000	183,000	29,000
Pension Relief	155,000,000	N/A	152,500,000	N/A

INPRS Staff Recommended My Choice DC Contribution Rates for Fiscal Year 2023	
PERF State My Choice Member Crediting Rate	3.7%
PERF State UAAL Contribution Rate for My Choice Members	7.5%
PERF State My Choice Total Contribution Rate	11.2%
PERF Political Subdivision My Choice Member Maximum Crediting Rate	4.4%
PERF Political Subdivision UAAL Contribution Rate for My Choice Members	6.8%
PERF Political Subdivisions My Choice Total Contribution Rate	11.2%
TRF '96 My Choice Member Contribution Rate	6%
TRF '96 UAAL Contribution Rate for My Choice Members	0%
TRF '96 My Choice Total Contribution Rate	6%

MOTION duly made and carried to postpone consideration of the 1977 Fund contribution rate effective in calendar year 2023 to no later than June 30, 2022.

Proposed by: Michael Pinkham
Seconded by: Tera Klutz
Votes: 9 in favor, 0 opposed, 0 abstentions

MOTION duly made and carried to approve staff recommended contribution rates, supplemental reserve account contributions and surcharge rates, and My Choice DC crediting rates except for the 1977 Fund and SRA surcharge rate for PERF. The 1977 Fund contribution rate effective in the calendar year 2023 will be reviewed and voted on no later than June 30, 2022. The calendar year 2022 SRA surcharge rate for PERF will be 0.72%.

Proposed by: Justin McAdam
Seconded by: Tera Klutz
Votes: 9 in favor, 0 opposed, 0 abstentions

D. Actuarial Services Contract Renewals

Andy Blough presented Actuarial Services Contract Renewals. Mr. Blough discussed the current actuarial contracts and vendors. Mr. Blough provided highlights for renewing contracts with the vendors.

MOTION duly made and carried to approve staff recommendation to renew a five-year contract with Cavanaugh Macdonald under the same terms as the current contract and two-year contract under the terms offered by Nyhart.

Proposed by: Justin McAdam
Seconded by: Mike Pinkham
Votes: 9 in favor, 0 opposed, 0 abstentions

IV. New Business

A. Actuarial Factors

Andy Blough discussed administrative assumptions, why INPRS reviews administrative assumptions, the impact of administrative assumptions, and optional form factors. Mr. Blough also talked about 1977 Fund early retirement adjustments. Mr. Blough presented two options: the first one is not to make any changes and the second is to update assumptions. The second option has cost considerations. Mr. Blough provided an estimated timeline for the second option. The Board will be asked to vote for an option at the next meeting.

B. Member & Employer Survey Findings

Jeff Hutson and John Lambertus presented the Member and Employer survey results. Mr. Lambertus summarized key takeaways from the member surveys, which highlighted core attributes, trustworthiness, satisfaction, engagement. Mr. Hutson provided survey results from employers regarding satisfaction, investing, and retirement income planning. Mr. Hutson also talked about member communication preference and active members confidence in retirement.

C. Financial Update

Robert Corne presented the INPRS financial update. Mr. Corne summarized the financial results, net position, supplemental reserve accounts, and the administrative and investment expenses as of the end of September 2021.

D. Investments Update

Scott Davis presented the INPRS investment update to the Board. Mr. Davis provided highlights and reviewed the INPRS investment portfolio as of September 30, 2021. Mr. Davis talked about the asset allocation, defined benefit funds' performance, and defined contribution funds' performance. Mr. Davis also noted Benchmark changes resulting from the AL study, which will be reflected in the Understanding INPRS Investment Benchmarks paper on INPRS's website. Jeff MacLean of Verus briefly discussed the defined benefit asset allocation, performance and risk.

E. CEM Investment Benchmarking Review

Kam Mangat presented defined benefit key takeaways from the CEM investment benchmarking review. Ms. Mangat summarized cost and return performance, cost compared to peers, five-year return policy, asset risk and asset-liability risk, value added, comparison of asset classes, and investment costs.

Sandy Halim summarized the defined contribution key takeaways from the CEM investment benchmarking review. Ms. Halim talked about the INPRS investment line up, investment line up compared to peers, costs, cost effectiveness, costs compared to peers, and asset risk.

F. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo noted one line of duty death. Mr. Russo provided information about Board Smart, a new tool for Board member education. Mr. Russo also summarized an update on the FY22 Strategic Plan and highlights of the Balance Scorecard.

V. Other business as requested by the Board

There was no other business as requested by the Board discussed.

VI. Preliminary Agenda for December 10, 2021 Board Meeting

A copy of the preliminary agenda for the December 10, 2021, meeting was included in materials provided electronically to Board members.

VII. Preliminary 2022 Board Meeting Calendar

A copy of the proposed 2022 Board Meeting schedule was included in materials provided electronically to Board members.

VIII. Adjournment

MOTION duly made and carried to adjourn the October 29, 2021 Board meeting at 1:45 p.m.

Proposed by: Bret Swanson
Seconded by: Tera Klutz
Votes: 9 in favor, 0 opposed, 0 abstentions